

TECHNICAL BULLETIN

OPEB and Cash Basis Financial Statements Update

January 2009

Other Postemployment Benefits (OPEB) and Cash Basis Financial Statements – Prepared by State Auditor’s Office with assistance from Beth Grob, Ahlers firm.

There has been some confusion regarding disclosure requirements for OPEB contained in GASB Statement 45 for governmental entities reporting on a cash basis. This supplement will clarify those requirements.

GASB 45 does apply to governmental entities reporting on a cash basis. The Auditor of State issued a Technical Bulletin which states, in part: ". . . governments reporting on a cash basis may, but are not required to, obtain actuarial valuations to determine the actuarial liability resulting from other postemployment benefits provided by the government. However, at a minimum the government's audit report is required to include note disclosures of the plan description, participation and any legal or contractual contribution requirements. These disclosures are required even if the government's plan consists only of an implicit rate subsidy . . ."

The Auditor of State’s Technical Bulletin may be accessed at http://auditor.iowa.gov/practice_aids/TecOPEB.pdf.

This means the city must include the following disclosures in the notes to financial statements included in its audited financial statements: the nature of any OPEB, including explicit and implicit OPEB, the amount of the OPEB obligation and the funding status of the OPEB liability. The OPEB obligation may consist of the amount the city paid during the year and the funding status may consist of disclosing whether the city manages its OPEB on a “pay as you go” basis or in some other manner. The Technical Bulletin simply clarifies governments reporting on a cash basis are NOT required to engage an actuary to calculate the amounts for accrual (GAAP basis) reporting and disclosure.

If the city is going to issue bonds or loan agreements, the city should consult bond counsel and its financial advisor to determine the disclosure requirements and the desirability or necessity of engaging an actuary to determine its OPEB obligation.

Cities not required to have an audit still have disclosure requirements when issuing bonds or loan agreements and should consult with bond counsel and financial advisor to determine the disclosure requirements and the desirability or necessity of engaging an actuary to determine its OPEB obligation.